

## Message Text

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44

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 INT-05 SP-02 L-03 AID-05 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

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P R 081355Z OCT 76

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 2726

INFO AMEMBASSY GEORGETOWN

AMEMBASSY PARAMARIBO

AMEMBASSY PORT

AMEMBASSY SANTO DOMINGO

UNCLAS KINGSTON 4390

E.O. 11652: N/A

TAGS: EMIN, JM

SUBJECT: SUMMARY OF ALCOA/GOJ AGREEMENT

1. FOLLOWING FACT SHEET WAS DISTRIBUTED AT ALCOA/GOJ SIGNING CEREMONY HELD OCTOBER 6. FACT SHEET PROVIDES USEFUL SUMMARY OF TERMS OF NEW BAUXITE/ALUMINA AGREEMENT.

2. BEGIN TEXT:

A. MINING ASSETS AND LAND

1. THE GOVERNMENT HAS REACQUIRED ALL OF ALCOA'S MINING LAND. THE GOVERNMENT HAS ALSO ACQUIRED 51 PERCENT OF ALCOA'S JAMAICA'S MINING OPERATIONS.

2. THIS HAS BEEN CONVERTED INTO A SIX PERCENT SHARE-HOLDING IN ALCOA'S TOTAL JAMAICAN MINING AND RE-FINING OPERATIONS.

3. CALCULATIONS ARE BASED ON THE BOOK VALUE OF THE COMPANY'S ASSETS. THIS MEANS THAT  
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THE GOVERNMENT IS PURCHASING SOME \$18

MILLION OF ASSETS FOR APPROXIMATELY \$8 MILLION.

B. EXPANSION

1. A MOST IMPORTANT ASPECT OF THE AGREEMENT IS THAT THE GOVERNMENT HAS THE OPTION OF EXPANDING THE COMPANY'S 550,000 - TON ALUMINA PLANT, BY ITSELF OR IN PARTNERSHIP WITH ALCOA.

2. THE PLANT MAY ALSO BE EXPANDED JOINTLY BY BOTH GOVERNMENT AND ALCOA.

3. THE PLANT MAY BE EXPANDED TO 1.65 MILLION TONS AND THE EXPANSION OPTION MAKES IT POSSIBLE FOR GOVERNMENT TO EVENTUALLY OWN A MAJORITY SHAREHOLDING IN THE EXPANDED OPERATION.

C. TERMS OF PAYMENT

1A) FOR ITS SIX PERCENT SHAREHOLDING OF OPERATING FACILITIES, AND LAND, (THE REFINERY, SHIPPING PORT, EQUIPMENT, BUILDING AND NECESSARY LANDS TO SUPPORT PRODUCTION) THE GOVERNMENT WILL PAY 10 PERCENT DOWN AND THE REMAINDER IN NINE EQUAL INSTALLMENTS OVER NINE YEARS AT 8 1/2 PERCENT INTEREST.

2B) FOR NON-OPERATING LANDS GOVERNMENT WILL PAY 10 PERCENT DOWN AND THE REMAINDER IN NINE EQUAL INSTALLMENTS OVER NINE YEARS AT 7 PERCENT INTEREST.

3C) FOR MINING LANDS - THE GOVERNMENT WILL ISSUE PROMISSORY NOTES FOR INDIVIDUAL PARCELS TO BE REDEEMED AFTER COMPLETION OF MINING AND RESTORATION. NOTES WILL BE FOR AMOUNTS REPRESENTING THE APPRAISED RESIDUAL VALUE AND WILL NOT EXCEED THE UNCLASSIFIED

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ORIGINAL COST OF THE LAND.

4D) THE GOVERNMENT WILL PAY ALTOGETHER, APPROXIMATELY \$2.7 MILLION FOR SOME 7000 ACRES OF MINING AND NON-OPERATING LANDS.

D. DUATION

JAMALCO WILL ENJOY A 40-YEAR MINING  
LEASE FROM JANUARY 1, 1976.

E. PRODUCTION LEVY

THE COMPANY WILL PAY A PRODUCTION LEVY  
OF 7 1/2 PERCENT OF THE AVERAGE REALISED  
PRICE OF ALUMINIUM INGOT.

F. NEW COMPANY

A NEW COMPANY, JAMALCO HAS BEEN FORMED.  
IT IS JOINTLY OWNED BY JAMAICA MINING  
LIMITED (JMB) A GOVERNMENT AGENCY AND  
ALCOA MINERALS OF JAMAICA. THE 7-MAN  
JAMALCO BOARD WILL HAVE TWO JAMAICANS AND  
FIVE ALCOA MEMBERS.

G. ICSID DISPUTE

ALCOA HAS AGREED TO WITHDRAW PROCEEDINGS  
FILED AGAINST JAMAICA AT THE INTERNATIONAL  
CENTRE FOR THE SETTLEMENT OF INDUSTRIAL  
DISPUTES WHEN THE GOVERNMENT BAUXITE LEVY  
WAS IMPOSED IN 1974. END TEXT.  
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